MARKETING NOTES

Japanese Eye Their Own Tractor Industry

Americans and Canadians can get a good, but incomplete, look at what's happening to sales of under-40-hp tractors by checking the monthly reports of the FIEI and CFIEI. Both show sales of this grouping of tractors, almost all of which are made in Japan, to be in decline currently.

The *Japan Economic Journal* provides a broader picture. In a recent article, it stated that in 1988, tractor shipments totaled 164,756, a decline of 8.5 percent from 1987. It was the second consecutive year-to-year decline.

Kubota, according to the article, had sales of more than double its nearest competitor, Yanmar. Here's how *Japan Economic Journal* divides up the combined domestic and export markets for Japanese-built tractors:

Company	Share of Market (Pct.)	Unit Sales
Kubota	42.2	69,527
Yanmar	19.8	32,592
Iseki	13.4	22,077
Shibaura	11.5	18,947
Mitsubishi	8.2	13,510
Others	4.9	8,073

Kubota is said to have 2,300 outlets in Japan with 12,000 salesmen.

The current market decline in Japan is blamed on that nation's "rice production adjustment policy and the liberalization of farm imports." Export declines are attributed to a strong yen, which tends to raise prices of the tractors in other nations.

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Ag Mall Concept Helped Stebbins Dealership Make It

Back in 1976, when it seemed that agriculture and its support industries were in for long-term growth with only minor hitches, what did many dealers do? They expanded their facilities, with the encouragement of their suppliers, realtors, builders and sometimes farmers.

Where are these dealers today? Many of them had to fold, swallowed up by the heavy overhead, and some of these businesses had served their farm communities for decades and generations.

Stebbins Implement Co. of Gothenburg, Neb., might easily have been among the casualties, for they took the plunge in 1976 and put up a 22,000-sq.-ft. dealership. The fourth-generation IH dealership, looking hopefully toward the future, had a volume that year of $3.5 million.

By 1983, sales had declined to $1.2 million. Nonetheless, the business founded by W.M. Stebbins and now managed by his great-grandson, Matt Stebbins, managed to hang on; this year, they celebrated their 100th anniversary.

"It has been a struggle," observes Matt today, "but we got a terrific education out of it, and we figured out how to survive and even make a profit."

Here's something that contributed a lot to survival: the Ag Mall.

"We were using only 55 percent of the building," he says. "We wanted to lower our overhead, so we founded the Ag Mall with the idea of getting tenants who could benefit themselves and us by being located here."

First tenant was Bill Peterson, who operates Gothenburg Market Center, a used machinery trading operation. Peterson had been in business elsewhere in Gothenburg since 1978, but his old location was lost to a city construction project. Today, he has offices in the Stebbins building and uses some of the dealership's seven acres to keep his inventory.

Stebbins cites some of the mutual advantages:

"Bill has to be gone a lot. We can take messages for him, take care of his walk-in customers. Sometimes, on certain types of unfamiliar equipment involved in trades, he can value them for us when our salesmen aren't sure about them. He can also write us a check for a used machine taken in trade, if that's what we want.

"Most of Bill's machines go as-is, but when he needs something reconditioned, we can do it. And when we have our spring and fall auctions, Bill helps us. He has a wide range of contacts over a number of states, and these help draw business here."

Another tenant is Harlan Tryon, who operates Tryon Welding in the Stebbins building.

"He's very good at fabricating a part for us and doing similar work that we may need from time to time. He also draws farmer traffic here."

Gandy Co., the Minnesota-based

(See MARKETING, pg. 39)

MARKETING NOTES

Bearing Supplies Stay Tight; Just Ask Hydreco

If you had expected the tight bearings situation to have let up by now, you're probably already disappointed. Or you may be disappointed without realizing that bearing supplies are contributing to delivery delays in some cases.

Hydreco, Augusta, Ga., makes hydraulic gear pumps, which take roller bearings. The reduced supply of such bearings has severely constrained the production and delivery of Hydreco's 2000, 2400 and 2900 gear pumps.

In a letter to customers, Stan Sokolowski, marketing vice president of Hydreco, said: ''The reduction is attributable to the class-action suit brought forth by a major domestic bearing manufacturer against foreign manufacturers and the practice of dumping.

''We have, with no success, queried available sources not only in the U.S. but in Japan, Europe and Brazil as well. Even though we have been successful in reducing the procurement lead time by several weeks, shipments for July and most of August will be delayed.

''Our search included an examination of possible substitutes. This proved fruitless. Available substitutes did not meet design criteria and compromised product quality. The rollers in our bearings are designed to match the shaft under load. This is the heart of the gear pump and is the basis of its operating performance and reliability.... We pledge our continued efforts to the full resolution of this condition and welcome any suggestions our customers have.''

Asked about the situation in mid-August, Sokolowski said that the type of bearing his company needs remains in tight supply. ''We've obtained some here and there, sourcing in Europe through an affiliate company, but we're still in a delivery bind.''

5-Year Margin Review: No Wonder Dealers Ticked

Slender margins, even as sales improve, were the subject of wide discussion at the NAEDA convention in Boston. (Related article starts on front page.) Here's a five-year review of what NAEDA Cost of Doing Business studies indicate on the matter. Average sales are shown in millions, average margins as a percentage.

Year	Sales, New, Used Equip.	Gross Margins
1984	$1.547	6.56
1985	1.424	6.83
1986	1.446	7.09
1987	1.524	7.77
1988	1.776	8.04

The mid-1980s were among the worst years the North American farm equipment industry has experienced. According to the NAEDA study, combined new and used margins were at their lowest in 1984 and sales volume at its worst in 1985, when industry inventories of new and used machines were highest.

By way of contrast, gross margins in 1979, a record year for the industry, were 9.86 percent on an average dealer new and used equipment sales volume of $1.759 million.

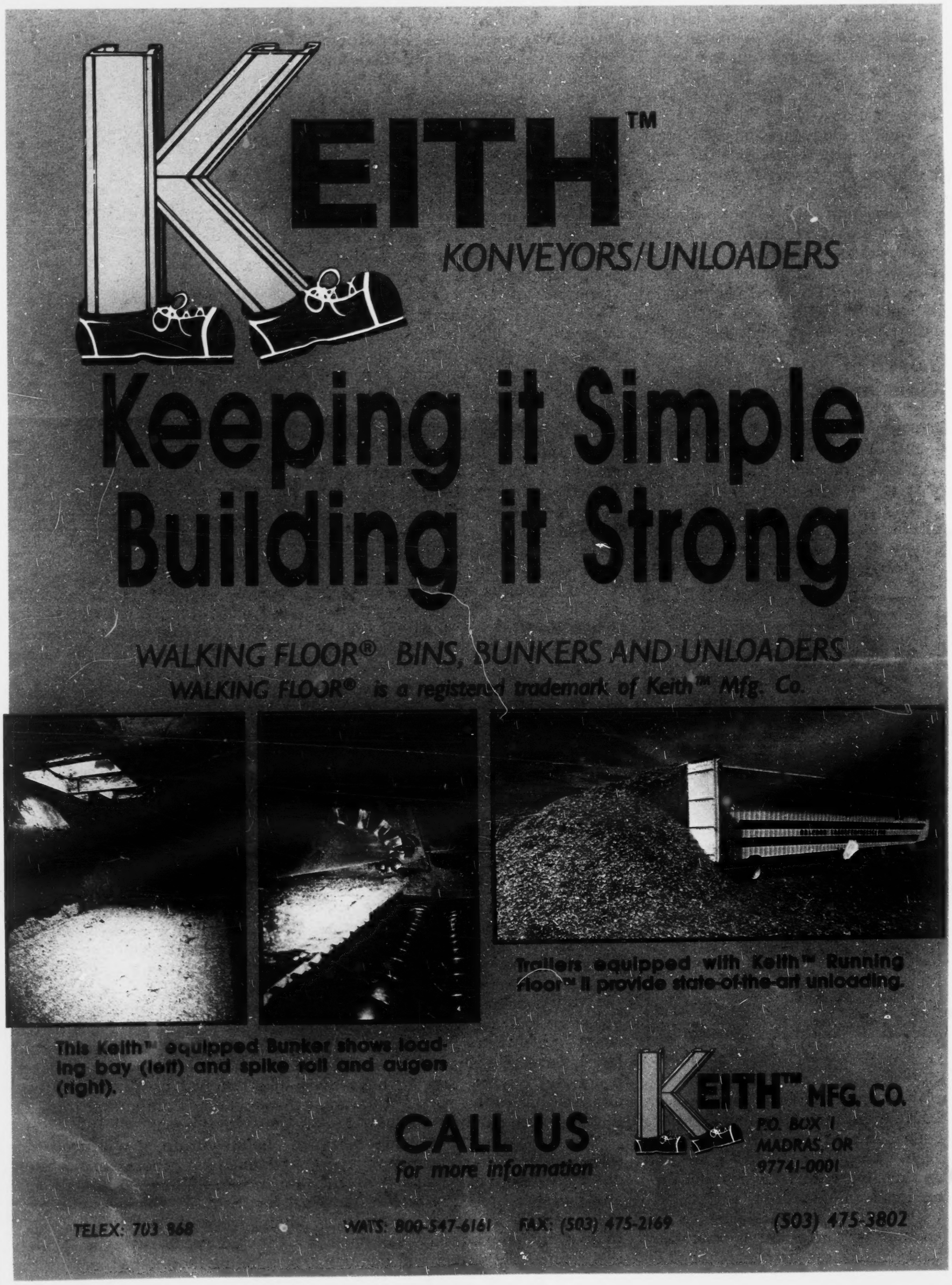
Clearly, improvement in gross margins, from which dealers must pay salaries, expenses and overhead in order to make a profit, is not taking place.

Briefly...

H. G. (Mac) McCarty, executive vice president, Ford New Holland, retired Aug. 1. He had been president of Sperry New Holland and New Holland, Inc., for over 10 years and joined Sperry New Holland in 1951 as an engineer trainee. In 1973, he became vice president of engineering; a year later, he was North America general manager.

Jerome Increase Case, founder of J I Case Co., will be inducted into the Agricultural Hall of Fame, Bonner Springs, Kan., Oct. 20. The induction will be followed by two days of demonstrations of antique Case tractors and equipment. Hall of Fame telephone: 913/721-1075.

Kubota Tractor Corp. has named Robert Lowell as regional sales manager and Ron Crouse as director and manager of its Northern Div. at Columbus, Ohio. David Chapman is the division's new consumer products dealer development manager.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